

**MIDDLE ISLAND RESOURCES LIMITED**  
**ABN 70 142 361 608**

**NOTICE OF ANNUAL GENERAL MEETING**

**AND**

**EXPLANATORY STATEMENT**

**AND**

**PROXY FORM**

**Date of Meeting**  
18 November 2016

**Time of Meeting**  
4:00pm

**Place of Meeting**  
The Celtic Club  
48 Ord Street  
WEST PERTH WA 6005

*This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*The **2016 Annual Report** may be viewed on the Company's website at [www.middleisland.com.au](http://www.middleisland.com.au)*

MIDDLE ISLAND RESOURCES LIMITED  
ABN 70 142 361 608  
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2016 annual general meeting of Middle Island Resources Limited (**Company**) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 18 November 2016 at 4:00pm (**Meeting**) for the purpose of transacting the following business, in each case, as more particularly described in the Explanatory Statement accompanying this Notice.

Capitalised terms and abbreviations used in this Notice and Explanatory Statement are defined in the Glossary.

**2016 Financial statements and reports**

To receive and consider the Financial Report, together with the Directors' Report and the Auditor's Report, for the financial year ended 30 June 2016.

**Resolution 1 – Adoption of Remuneration Report**

To consider and, if thought fit, to pass, with or without amendment, the following **advisory only resolution**:

*"That, for the purpose of section 250R(2) of the Corporations Act, and for all other purposes, the Remuneration Report forming part of the Company's 2016 Annual Report be adopted."*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

**Voting prohibition statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (**the voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

**Resolution 2 – Re-election of Mr Beau Nicholls as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of article 6.3 of the Constitution and for all other purposes, Mr Beau Nicholls retires by rotation as a Director, and being eligible and having offered himself for re-election, is re-elected as a Director."*

**Resolution 3 – Approval of 10% Placement Facility**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Shares of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."*

**Voting Exclusion:** For the purposes of Listing Rule 7.3A, the Company will disregard any votes cast on this Resolution by any person who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their Associates, unless it is cast:

- (a) by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form); or
- (b) by a person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

#### Resolution 4 – Approval of Grant of Options to Mr Richard Yeates

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Listing Rule 10.11 of the Listing Rules, section 208 of the Corporations Act and for all other purposes, the issue to Mr Richard Yeates, or his nominees, for nil consideration of 10,000,000 Options to acquire fully paid shares in the capital of the Company, at an exercise price of 10 cents, expiring on 18 November 2018 and on the terms and conditions outlined in the Explanatory Statement and in Annexure A is hereby approved.”*

**Voting Exclusion:** The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 4 by Mr Yeates and any Associate of Mr Yeates. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Voting prohibition statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (**the voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

#### Resolution 5 – Approval of Grant of Options to Mr Peter Thomas

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Listing Rule 10.11 of the Listing Rules, section 208 of the Corporations Act and for all other purposes, the issue to Mr Peter Thomas, or his nominees, for nil consideration of 10,000,000 Options to acquire fully paid shares in the capital of the Company, at an exercise price of 10 cents, expiring on 18 November 2018 and on the terms and conditions outlined in the Explanatory Statement and in Annexure A is hereby approved.”*

**Voting Exclusion:** The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 5 by Mr Thomas and any Associate of Mr Thomas. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Voting prohibition statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (**the voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

### Resolution 6 – Approval of Grant of Options to Mr Beau Nicholls

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Listing Rule 10.11 of the Listing Rules, section 208 of the Corporations Act and for all other purposes, the issue to Mr Beau Nicholls, or his nominees, for nil consideration of 10,000,000 Options to acquire fully paid shares in the capital of the Company, at an exercise price of 10 cents, expiring on 18 November 2018 and on the terms and conditions outlined in the Explanatory Statement and in Annexure A is hereby approved.”*

**Voting Exclusion:** The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 6 by Mr Nicholls and any Associate of Mr Nicholls. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Voting prohibition statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (**the voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

### Resolution 7 – Approval of Grant of Options to Mr Linton Kirk

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Listing Rule 10.11 of the Listing Rules, section 208 of the Corporations Act and for all other purposes, the issue to Mr Linton Kirk, or his nominees, for nil consideration of 7,500,000 Options to acquire fully paid shares in the capital of the Company, at an exercise price of 7 cents, expiring on 18 November 2018 and on the terms and conditions outlined in the Explanatory Statement and in Annexure B, is hereby approved.”*

**Voting Exclusion:** The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 7 by Mr Kirk and any Associate of Mr Kirk. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Voting prohibition statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (c) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (d) a Closely Related Party of such a member.

However, a person (**the voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (d) the voter is the Chair and the appointment of the Chair as proxy:
  - (iii) does not specify the way the proxy is to vote on this Resolution; and
  - (iv) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

### **Resolution 8 – Ratification of Appointment of Auditor**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That Shareholders of the Company ratify the appointment of Greenwich & Co Audit Pty Ltd as auditor of the Company.”*

### **OTHER BUSINESS**

To deal with any other business that may be brought forward in accordance with the Constitution and the Corporations Act.

### **PROXIES**

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a “proxy”) to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions on the form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- a proxy need not be a member of the Company; and
- a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

If you are a registered Shareholder of the Company and are unable to attend the Meeting in person, please date and execute the accompanying Proxy Form and return it in accordance with its instructions prior to 4.00pm WST on 16 November 2016 by:

1. post to Security Transfer Australia Pty Ltd, PO Box A2020, South Sydney, New South Wales 1235;
2. facsimile to Security Transfer Australia Pty Ltd at (08) 9315 2233 (International: +61 8 9315 2233);
3. email at [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au); or
4. online at [www.securitytransfer.com.au](http://www.securitytransfer.com.au).

If you are a beneficial Shareholder and receive these materials through your broker or through another intermediary, please complete and return the form of proxy or voting instruction form in accordance with the instructions provided to you by your broker or by the other intermediary.

### **ENTITLEMENT TO VOTE**

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding Shares at 4:00pm WST on 16 November 2016 will be entitled to attend and vote at the AGM.

**CORPORATIONS**

A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to the Company, before the Meeting.

**ELECTRONIC COMMUNICATION**

All Shareholders may elect to receive communications from the Company's share registry electronically. To provide or update your email address, please contact the Company's share registry.

**REVOCAION OF PROXIES**

A Shareholder executing and delivering a proxy has the power to revoke it in accordance with the provisions of the Corporations Act, which provides that every proxy may be revoked by an instrument in writing executed by the Shareholder or by his or her attorney authorised in writing and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chair of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

**VOTING OF PROXIES**

The Proxy Form accompanying this Notice confers discretionary authority upon the proxy with respect to any amendments or variations to the matters identified in the Notice of Meeting and any other matters that may properly come before the Meeting. At the time of printing this Notice, management knows of no such amendment, variation or other matter.

Shareholders must mark the boxes directing its proxy how to vote. If no voting instructions are indicated on the appointment of proxy form, the proxy will be voted as recommended by management or as the proxyholder sees fit (in the latter case, if management is not appointed as proxy).

By Order of the Board.



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Dennis Wilkins  
Company Secretary  
Date: 17 October 2016

## **EXPLANATORY STATEMENT**

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's 2016 annual general meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice.

This Explanatory Statement should be read in conjunction with the Notice. Capitalised terms in this Explanatory Statement are defined in the Glossary.

### **Financial statements and reports**

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report, for the financial year ended 30 June 2016.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered a reasonable opportunity to:

- (a) discuss the Annual Report which is available online from the Company's website [www.middleisland.com.au](http://www.middleisland.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit, the preparation and content of the Auditor's Report, accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Company's auditor if the question is relevant to:

- (a) the content of the Auditor's Report; or
- (b) the conduct of the audit of the Annual Report to be considered at the AGM,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office (+61 8 9389 2111).

### **Resolution 1 – Adoption of Remuneration Report**

#### **1.1 General**

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the Key Management Personnel.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*, which came into effect on 1 July 2011, amended the Corporations Act to provide that Shareholders will have the opportunity to remove the whole Board (except the managing director) if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive AGMs.

Where a resolution on the Remuneration Report receives a Strike at two consecutive AGMs, the Company will be required to put to Shareholders at the second AGM a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2015 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2017 annual general meeting, this may result in the re-election of the Board.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

## **1.2 Voting on the Remuneration Report**

In accordance with the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of either the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies how the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chair intends to exercise all undirected proxies in favour of Resolution 1.

If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention (being to vote in favour of Resolution 1), even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

## **Resolution 2 – Re-election of Mr Beau Nicholls as a Director**

### **2.1 General**

Mr Beau Nicholls was appointed as a non-executive Director on 30 April 2010.

In accordance with Listing Rule 14.4, no director of the Company may hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever period is longer. The Company's Constitution also requires that one third of the Company's directors must retire at each AGM. Accordingly, Mr Beau Nicholls will retire by rotation and, being eligible, offers himself for re-election.

Resolution 2 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

### **2.2 Director's Biography**

Mr Beau Nicholls has 20 years in mining and exploration geology, ranging from grass roots exploration management through to mine production environments. With a proven track record on four continents (Australia, Eastern Europe, Africa and the Americas) and in over 20 countries, Beau has been instrumental in the discovery and/or development of a number of world class deposits, variously located in Western Australia, Romania, Bulgaria, Senegal, Burkina Faso, Ghana, Guinea and Sierra Leone.

Mr Nicholls has over 10 years international consulting experience with RSG/RSG Global and Coffey Mining, including serving in the positions of Regional Manager - West Africa, based in Accra Ghana, and most recently as Geology Manager – Brazil, based in Belo Horizonte.

Mr Nicholls is a graduate of the Western Australian School of Mines in Kalgoorlie, holds an unrestricted Quarry Managers permit for Western Australia and has an Advanced Diploma in Business Management from the Australian Institute of Management.

### **2.3 Directors' Recommendation**

All of the Directors consider that Resolution 2 is in the best interests of the Company, as Mr Nicholls has a wealth of experience and expertise which is valuable to the Company. All the Directors, except Mr Nicholls, who has an interest in this Resolution, recommend that Shareholders vote in favour of Resolution 2.

The Chair intends to exercise all undirected proxies in favour of Resolution 2.



### Resolution 3 – Approval of 10% Placement Facility

#### 3.1 General

Listing Rule 7.1A enables an eligible entity to issue Shares up to 10% of its issued share capital through placements over a 12 month period after the AGM (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Shares under the 10% Placement Facility. The exact number of Shares to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2(c) below).

#### 3.2 Description of Listing Rule 7.1A

(a) *Shareholder approval*

The ability to issue Shares under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an AGM.

(b) *Equity Securities*

Any Shares issued under the 10% Placement Facility must be in the same class as an existing quoted class of Shares of the Company.

The Company, as at the date of the Notice, has on issue four classes of Equity Securities, being listed Shares and three classes of unlisted options.

(c) *Formula for calculating 10% Placement Facility*

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Shares calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
- (iv) less the number of fully paid shares cancelled in the 12 months.

**D** is 10%;

**E** is the number of Shares issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) *Listing Rule 7.1 and Listing Rule 7.1A*

The ability of an entity to issue Shares under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 469,027,033 Shares and therefore has a capacity to issue:

- (i) 70,354,054 Shares under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 3, 46,902,703 Shares under Listing Rule 7.1A.

The actual number of Shares that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of any relevant issue of the Shares in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2(c) above).

(e) *Minimum Issue Price*

The issue price of Shares issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average price (VWAP) of Shares in the same class calculated over the 15 Trading Days **on which trades in that class were recorded** immediately before:

- (i) the date on which the price at which the Shares are to be issued is agreed; or
- (ii) if the Shares are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Shares are issued.

(f) *10% Placement Period*

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

**(10% Placement Period).**

### **3.3 Listing Rule 7.1A**

The effect of Resolution 3 will be to allow the Directors to issue the Shares under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

### **3.4 Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) The Shares will be issued at an issue price of not less than 75% of the VWAP for the Company's Shares over the 15 Trading Days in which trades in the class were recorded immediately before:

- (i) the date on which the price at which the Shares are to be issued is agreed; or
- (ii) if the Shares are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Shares are issued.

(b) If Resolution 3 is approved by Shareholders and the Company issues Shares under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the date of the issue of the Shares than on the date of the meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for the Company's Shares on the issue date or the Shares are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.0345 50% decrease in Issue Price	\$0.069 Issue Price	\$0.138 100% increase in Issue Price
Current Variable A 469,027,033 Shares	10% voting dilution	46,902,703 Shares		
	Funds raised	\$1,618,143	\$3,236,287	\$6,472,573
50% increase in current Variable A 703,540,549 Shares	10% voting dilution	70,354,054 Shares		
	Funds raised	\$2,427,215	\$4,854,430	\$9,708,859
100% increase in current Variable A 938,054,066 Shares	10% voting dilution	93,805,406 Shares		
	Funds raised	\$3,236,287	\$6,472,573	\$12,945,146

**The table has been prepared on the following assumptions:**

- (i) The Company issues, in a single allotment, the maximum number of Shares available under the 10% Placement Facility.
  - (ii) No Convertible Securities (including any Convertible Securities issued under the 10% Placement Facility) are converted into Shares before the date of the issue of the Equity Securities.
  - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of this Meeting.
  - (v) The table shows only the effect of issues of Shares under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (vi) The issue of Shares under the 10% Placement Facility consists only of Shares. If the issue of Shares includes Convertible Securities, it is assumed that those Convertible Securities are converted into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
  - (vii) The issue price is \$0.069 being the closing price of Shares on the ASX on 14 October 2016.
- (c) The Company will only issue and allot the Shares during the 10% Placement Period. The approval under Resolution 3 for the issue of the Shares will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Shares for the following purposes:
- (i) for cash consideration, in which case the Company may use the funds raised towards making (or to securing the right to make) one or more acquisitions and/or to further its existing projects; and/or general working capital; so that the Company has the necessary working capital and flexibility to consider, and if thought fit, to put it in a stronger position to make (or to secure the right to make) one or more acquisitions and/or to further its existing projects; or
  - (ii) non-cash consideration in relation to costs associated with the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.
- (e) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (f) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Shares will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

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- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the Shares on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).
- (g) The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an Associate of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (h) The Company previously obtained Shareholder approval under Listing Rule 7.1A at the 2015 AGM on 27 November 2015.

In accordance with Listing Rule 7.3A.6, the total number of Equity Securities issued in the 12 months preceding the date of this meeting is 218,182,780 representing 86.70% of the Equity Securities on issue at the commencement of the 12 month period.

The Company has issued the following Equity Securities in the 12 months preceding the date of this meeting:

Date of Issue	Number of Securities	Class	Issue Price	Discount to Market price	Total Consideration	Basis of allotment
9/05/2016	40,000,000	Fully paid ordinary shares	\$0.01	2.91%	\$400,000	Placement to sophisticated investors
29/06/2016	120,000,000	Fully paid ordinary shares	\$0.03	13.55%	\$3,600,000	Placement to sophisticated investors
30/06/2016	48,474,042	Fully paid ordinary shares	\$0.03	13.55%	\$1,454,221	Non-renounceable rights issue
11/07/2016	9,708,738	Fully paid ordinary shares	\$0.0103	83.39%	\$0	In satisfaction of corporate advisor fee of \$100,000
TOTAL	218,182,780				\$5,454,221	

- (i) The Company has spent \$2,934,073 of the funds it has raised in the 12 months preceding the date of this Notice on undertaking a rights issue, completing the acquisition of the Sandstone Project, implementing an expedited exploration and drilling program at the Sandstone Project, and corporate expenses. The intended use of the remaining funds is to continue with an expedited exploration and drilling program at the Sandstone Project with the objective of materially upgrading the existing mineral resources already estimated on the tenements, complete a pre-feasibility study on the Sandstone Project, continue to assess opportunities for a joint venture partner for the Reo gold project in Burkina Faso, undertake a drilling and exploration program at the Reo gold project, and/or for general working capital purposes.
- (j) A voting exclusion statement is included in the Notice.
- (k) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

### 3.5 Directors' Recommendation

Based on the information available, including the information contained in this Explanatory Statement, all of the Directors consider that Resolution 3 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 3. The Directors have formed this view as the passing of this Resolution will provide greater flexibility when considering future capital raising opportunities. The passing of Resolution 3 will increase the Directors' ability to issue new Shares permitted by the Listing Rules without requiring Shareholder approval. Application of this additional placement capacity has historically been utilised by the Company in a very judicious manner (or not at all) that has, at all times, been cognisant of potential Shareholder dilution.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chair intends to exercise all undirected proxies in favour of Resolution 3.

## **Resolution 4 – Approval of Grant of Options to Mr Richard Yeates**

### **4.1 General**

The Company proposes to grant 10,000,000 Options to Mr Richard Yeates, or his nominees, for nil consideration at an exercise price of 10 cents, expiring on 18 November 2018.

The full terms of the Options are set out in Annexure A to this Explanatory Statement.

The Directors consider that the grant of the Options is a cost effective and efficient means for the Company to provide a reward and incentive.

The exercise price is 10 cents and assuming that all of the Options were exercised, Mr Yeates (or his nominees) will need to pay a total of \$1,000,000 to the Company.

Resolution 4 is required to be approved in accordance with section 208 of the Corporations Act and Listing Rule 10.11 to issue securities to a Director, being a related party of the Company. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

### **4.2 Chapter 2E of the Corporations Act – related party transactions**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 4 provides for the grant of Options to a related party which is a financial benefit requiring Shareholder approval. The financial benefit represented by the grant of the Options arguably falls within the 'reasonable remuneration' exception contained in section 211 of the Corporations Act and therefore may not require approval by Shareholders for the purposes of Chapter 2E of the Corporations Act. Nevertheless, the Board has determined that, in the interests of good governance, it would seek Shareholder approval for these purposes.

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the grant of the Options to Mr Yeates under Resolution 4.

#### ***The related party to whom the proposed Resolution would permit the financial benefit to be given***

Subject to Shareholder approval, the Options the subject of Resolution 4 will be granted to Mr Yeates, or his nominees, within one month of the passing of this Resolution. Mr Yeates is a Director and is therefore classified as a related party.

#### ***The nature of, reasons for and basis for the financial benefit***

The proposed financial benefit is the grant of 10,000,000 options to Mr Yeates, or his nominees, for no issue price. Each Option will allow Mr Yeates to subscribe for one ordinary fully paid Share in the Company. The Options have an exercise price of 10 cents per share and expire on 18 November 2018.

The Options serve to provide compensation for significant previous reductions in Mr Yeates' salary and form part of Mr Yeates' incentive for continuing and future efforts. The Directors, other than Mr Yeates, consider that Options are the most cost effective and efficient means to align the interests of the Company's managing director with the interests of all Shareholders. The issue of Options to Mr Yeates is subject to Resolution 4 being passed.

Options are considered to be the appropriate incentive given the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Yeates is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, at a significant premium to the Share price at the time the Options were announced and the average closing Share price as traded in the last 12 months, the Options represent an incentive to Mr Yeates to achieve this increase in the Share price, which may result in an increase in Shareholder value.

The number of Options to be offered to Mr Yeates has been determined by reference to Mr Yeates' executive role as managing director as well as current market practices in the junior exploration sector.

**Directors' recommendation**

All Directors, except Mr Yeates, recommend Shareholders vote in favour of Resolution 4 as they believe, based on the information available, including the information contained in this Explanatory Statement, the granting of these Options to Mr Yeates will align his rewards with the long-term creation of value for Shareholders.

Mr Yeates does not wish to make a recommendation about the proposed Resolution 4 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

**Interests of Directors**

Mr Yeates has noted his interest in the approval of Resolution 4 in relation to the Options.

**Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers**

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 10,000,000 Options to Mr Yeates, or his nominees.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexure A to this Explanatory Statement and as otherwise mentioned above.
- (c) The Directors, in conjunction with the Company's advisers, have provided an indicative value to the Options by reference to the Black-Scholes valuation method.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Yeates, or his nominees, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

**Table 1 - Details of Director Options**

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Richard Yeates	Director	10,000,000	\$0.10	18 November 2018	At date of allotment	\$115,000 (i)

**Option Valuation details**

Details	Input
Share price	\$0.069
Exercise Price	\$0.10
Risk Free Rate	1.73%
Volatility (Annualised)	50%
Start Date	18 November 2016
Expiry Date	18 November 2018
<b>Value per Option</b>	<b>\$0.0115 (i)</b>

- (e) The Black-Scholes Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant. However, the Directors do not consider the resultant value as determined by the Black-Scholes Option Pricing Model is in anyway representative of the market value of the share options issued. The theoretical fair value of the options will be influenced by the terms and conditions upon which the options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations of buyers and sellers of such instruments, the impact of which are ignored in the Black-Scholes Option Pricing Model.
- (f) As at the date of this Notice, the issued capital of the Company comprised 469,027,033 Shares and 800,000 unlisted Options. If all Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, and assuming no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	<b>Existing Shares and Options</b>
Shares and Options	469,827,033
Options to be granted	10,000,000
<b>New Total</b>	<b>479,827,033</b>
Dilutionary effect	2.13%

- (g) Mr Yeates' current interests in securities of the Company are set out in the table below:

<b>Director</b>	<b>Shareholding</b>	<b>Option holding</b>
Richard Yeates	46,666,692	Nil

- (h) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.
- (i) The Options will not be quoted on ASX and as such have no actual market value. The fully paid ordinary Shares of the Company have been traded on ASX since December 2010. In the 12 months prior to the date of this Notice, the Shares have traded in the range of \$0.0058 to \$0.089, the most recent closing price prior to the date of this Notice was \$0.069. The Options are capable of being converted to Shares by payment of the exercise price.
- (j) Mr Yeates currently receives a salary of \$180,000, plus superannuation.
- (k) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its profit or loss for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company, in granting the Options to Mr Yeates or his nominees pursuant to Resolution 4.
- (l) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this Resolution.

### **4.3 Specific information required by Listing Rule 10.13**

Listing Rule 10.13 requires that information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11 as follows:

- (a) The Options will be issued to Mr Yeates (or his nominees).
- (b) The maximum number of Options to be issued to Mr Yeates (or his nominees) is 10,000,000.
- (c) The Options will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The Options will be issued at an exercise price of 10 cents per share and expire on 18 November 2018.
- (e) The Options will be issued on the terms and conditions outlined in Annexure A.
- (f) A voting exclusion statement is included in the Notice of Meeting.
- (g) No funds will be raised from the issue of the Options.

## **Resolution 5 – Approval of Grant of Options to Mr Peter Thomas**

### **5.1 General**

The Company proposes to grant 10,000,000 Options to Mr Peter Thomas, or his nominees, for nil consideration at an exercise price of 10 cents per share and expiring on 18 November 2018.

The full terms of the Options are set out in Annexure A to this Explanatory Statement.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide a reward and incentive.

The exercise price is 10 cents and assuming that all of the Options were exercised, Mr Thomas (or his nominees) will need to pay a total of \$1,000,000 to the Company.

Resolution 5 is required to be approved in accordance with section 208 of the Corporations Act and Listing Rule 10.11 to issue securities to a Director, being a related party of the Company. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

## **5.2 Chapter 2E of the Corporations Act – related party transactions**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 5 provides for the grant of Options to a related party which is a financial benefit requiring Shareholder approval. The financial benefit represented by the grant of the Options arguably falls within the 'reasonable remuneration' exception contained in section 211 of the Corporations Act and therefore may not require approval by Shareholders for the purposes of Chapter 2E of the Corporations Act. Nevertheless, the Board has determined that, in the interests of good governance, it would seek Shareholder approval for these purposes.

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the grant of the Options to Mr Thomas under Resolution 5.

### ***The related party to whom the proposed Resolution would permit the financial benefit to be given***

Subject to Shareholder approval, the Options the subject of Resolution 5 will be granted to Mr Thomas, or his nominees, within one month of the passing of this Resolution. Mr Thomas is a Director and is therefore classified as a related party.

### ***The nature of, reasons for and basis for the financial benefit***

The proposed financial benefit is the grant of 10,000,000 options to Mr Thomas, or his nominees, for no issue price. Each Option will allow Mr Thomas to subscribe for one ordinary fully paid Share in the Company. The Options have an exercise price of 10 cents per share and expire on 18 November 2018.

The Options serve to provide compensation for significant previous reductions in Mr Thomas' directors' fees, as well as prior pro bono contributions, and form part of Mr Thomas' incentive for continuing and future efforts. The Directors, other than Mr Thomas, consider that Options are the most cost effective and efficient means to align the interests of the Company's Chair with the interests of all Shareholders. The issue of Options to Mr Thomas is subject to Resolution 5 being passed.

Options are considered to be the appropriate incentive given the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Thomas is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, at a significant premium to the Share price at the time the Options were announced and the average closing Share price as traded in the last 12 months, the Options represent an incentive to Mr Thomas to achieve this increase in the Share price, which may result in an increase in Shareholder value.

The number of Options to be offered to Mr Thomas has been determined by reference to his non-executive role as Chair as well as current market practices in the junior exploration sector.

### ***Directors' recommendation***

All Directors, except Mr Thomas, recommend Shareholders vote in favour of Resolution 5 as they believe, based on the information available, including the information contained in this Explanatory Statement, the granting of these Options to Mr Thomas will align his rewards with the long-term creation of value for Shareholders.

Mr Thomas does not wish to make a recommendation about the proposed Resolution 5 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.



**Interests of Directors**

Mr Thomas has noted his interest in the approval of Resolution 5 in relation to the Options.

**Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers**

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 10,000,000 Options to Mr Thomas, or his nominees.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexure A to this Explanatory Statement and as otherwise mentioned above.
- (c) The Directors, in conjunction with the Company's advisers, have provided an indicative value to the Options by reference to the Black-Scholes valuation method.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Thomas, or his nominees, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

**Table 1 - Details of Director Options**

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Peter Thomas	Director	10,000,000	\$0.10	18 November 2018	At date of allotment	\$115,000 (i)

**Option Valuation details**

Details	Input
Share price	\$0.069
Exercise Price	\$0.10
Risk Free Rate	1.73%
Volatility (Annualised)	50%
Start Date	18 November 2016
Expiry Date	18 November 2018
<b>Value per Option</b>	<b>\$0.0115 (i)</b>

- (e) The Black-Scholes Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant. However, the Directors do not consider the resultant value as determined by the Black-Scholes Option Pricing Model is in anyway representative of the market value of the share options issued. The theoretical fair value of the options will be influenced by the terms and conditions upon which the options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations of buyers and sellers of such instruments, the impact of which are ignored in the Black-Scholes Option Pricing Model.
- (f) As at the date of this Notice, the issued capital of the Company comprised 469,027,033 Shares and 800,000 unlisted Options. If all Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, and assuming no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	469,827,033
Options to be granted	10,000,000
<b>New Total</b>	<b>479,827,033</b>
Dilutionary effect	2.13%

- (g) Mr Thomas' current interests in securities of the Company are set out in the table below:

Director	Shareholding	Option holding
Peter Thomas	11,600,000	Nil

- (h) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.
- (i) The Options will not be quoted on ASX and as such have no actual market value. The fully paid ordinary Shares of the Company have been traded on ASX since December 2010. In the 12 months prior to the date of this Notice, the Shares have traded in the range of \$0.0058 to \$0.089, the most recent closing price prior to the date of this Notice was \$0.069. The Options are capable of being converted to Shares by payment of the exercise price.
- (j) Mr Thomas currently receives an annual director fee of \$40,000, including superannuation.
- (k) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its profit or loss for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company, in granting the Options to Mr Thomas or his nominees pursuant to Resolution 5.
- (l) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this Resolution.

### **5.3 Specific information required by Listing Rule 10.13**

Listing Rule 10.13 requires that information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11 as follows:

- (a) The Options will be issued to Mr Thomas (or his nominees).
- (b) The maximum number of Options to be issued to Mr Thomas (or his nominees) is 10,000,000.
- (c) The Options will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The Options will be issued at an exercise price of 10 cents per share and expire on 18 November 2018.
- (e) The Options will be issued on the terms and conditions outlined in Annexure A.
- (f) A voting exclusion statement is included in the Notice of Meeting.
- (g) No funds will be raised from the issue of the Options.

## **Resolution 6 – Approval of Grant of Options to Mr Beau Nicholls**

### **6.1 General**

The Company proposes to grant 10,000,000 Options to Mr Beau Nicholls, or his nominees, for nil consideration at an exercise price of 10 cents per share and expiring on 18 November 2018.

The full terms of the Options are set out in Annexure A to this Explanatory Statement.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide an incentive.

The exercise price is 10 cents and assuming that the Options were exercised, Mr Nicholls (or his nominees) will need to pay a total of \$1,000,000 to the Company.

Resolution 6 is required to be approved in accordance with section 208 of the Corporations Act and Listing Rule 10.11 to issue securities to a Director, being a related party of the Company. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

## 6.2 Chapter 2E of the Corporations Act – related party transactions

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors, persons the Company has reasonable grounds to believe will become Directors, and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 6 provides for the grant of Options to a related party which is a financial benefit requiring Shareholder approval. The financial benefit represented by the grant of the Options arguably falls within the 'reasonable remuneration' exception contained in section 211 of the Corporations Act and therefore may not require approval by Shareholders for the purposes of Chapter 2E of the Corporations Act. Nevertheless, the Board has determined that, in the interests of good governance, it would seek Shareholder approval for these purposes.

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the grant of the Options to Mr Nicholls under Resolution 6.

### ***The related party to whom the proposed Resolution would permit the financial benefit to be given***

Subject to Shareholder approval, the Options the subject of Resolution 6 will be granted to Mr Nicholls, or his nominees, within one month of the passing of this Resolution. Mr Nicholls is a Director and is therefore classified as a related party.

### ***The nature of, reasons for and basis for the financial benefit***

The proposed financial benefit is the grant of 10,000,000 options to Mr Nicholls, or his nominees, for no issue price. Each Option will allow Mr Nicholls to subscribe for one ordinary fully paid Share in the Company. The Options have an exercise price of 10 cents per share and expire on 18 November 2018.

The Options serve to provide compensation for significant previous reductions in Mr Nicholls' salary, as well as prior pro-bono contributions, and form part of Mr Nicholls' incentive for continuing and future efforts. The Directors, other than Mr Nicholls, consider that Options are the most cost effective and efficient means to align the interests of the Company's non-executive Directors with the interests of all Shareholders. The issue of Options to Mr Nicholls is subject to Resolution 6 being passed.

Options are considered to be the appropriate incentive given the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Nicholls is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, at a significant premium to the Share price at the time the Options were announced and the average closing Share price as traded in the last 12 months, the Options represent an incentive to Mr Nicholls to achieve this increase in the Share price, which may result in an increase in Shareholder value.

The number of Options to be offered to Mr Nicholls has been determined by reference to Mr Nicholls' non-executive role as well as current market practices in the junior exploration sector.

### ***Directors' recommendation***

All Directors, except Mr Nicholls, recommend Shareholders vote in favour of Resolution 6 as they believe, based on the information available, including the information contained in this Explanatory Statement, the granting of these Options to Mr Nicholls will align his rewards with the long-term creation of value for Shareholders.

Mr Nicholls does not wish to make a recommendation about the proposed Resolution 6 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

### ***Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers***

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 10,000,000 Options to Mr Nicholls, or his nominees.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexure A to this Explanatory Statement and as otherwise mentioned above.

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- (c) The Directors, in conjunction with the Company's advisers, have provided an indicative value to the Options by reference to the Black-Scholes valuation method.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Nicholls, or his nominees, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

**Table 1 - Details of Director Options**

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Beau Nicholls	Director	10,000,000	\$0.10	18 November 2018	At date of allotment	\$115,000 (i)

**Option Valuation details**

Details	Input
Share price	\$0.069
Exercise Price	\$0.10
Risk Free Rate	1.73%
Volatility (Annualised)	50%
Start Date	18 November 2016
Expiry Date	18 November 2018
<b>Value per Option</b>	<b>\$0.0115 (i)</b>

- (e) The Black-Scholes Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant. However, the Directors do not consider the resultant value as determined by the Black-Scholes Option Pricing Model is in anyway representative of the market value of the share options issued. The theoretical fair value of the options will be influenced by the terms and conditions upon which the options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations of buyers and sellers of such instruments, the impact of which are ignored in the Black-Scholes Option Pricing Model.
- (f) As at the date of this Notice, the issued capital of the Company comprised 469,027,033 Shares and 800,000 unlisted Options. If all Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, and assuming no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	469,827,033
Options to be granted	10,000,000
<b>New Total</b>	<b>479,827,033</b>
Dilutionary effect	2.13%

- (g) Mr Nicholls's current interests in securities of the Company are set out in the table below:

Director	Shareholding	Option holding
Beau Nicholls	13,600,000	Nil

- (h) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.

- (i) The Options will not be quoted on ASX and as such have no actual market value. The fully paid ordinary Shares of the Company have been traded on ASX since December 2010. In the 12 months prior to the date of this Notice, the Shares have traded in the range of \$0.0058 to \$0.089, the most recent closing price prior to the date of this Notice was \$0.069. The Options are capable of being converted to Shares by payment of the exercise price.
- (j) Mr Nicholls receives an annual director fee of \$30,000.
- (k) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its profit or loss for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company, in granting the Options to Mr Nicholls or his nominees pursuant to Resolution 6.
- (l) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this Resolution.

### **6.3 Specific information required by Listing Rule 10.13**

Listing Rule 10.13 requires that information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11 as follows:

- (a) The Options will be issued to Mr Nicholls (or his nominees).
- (b) The maximum number of Options to be issued to Mr Nicholls (or his nominees) is 10,000,000.
- (c) The Options will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The Options will be issued at an exercise price of 10 cents per share and expire on 18 November 2018.
- (e) The Options will be issued on the terms and conditions outlined in Annexure A.
- (f) A voting exclusion statement is included in the Notice of Meeting.
- (g) No funds will be raised from the issue of the Options.

### **Resolution 7 – Approval of Grant of Options to Mr Linton Kirk**

#### **7.1 General**

The Company proposes to grant 7,500,000 Options to Mr Linton Kirk, or his nominees, for nil consideration at an exercise price of 7 cents per share and expiring on 18 November 2018. The Options have vesting conditions, namely, the completion of a pre-feasibility study by 31 December 2016 (when 1,500,000 Options will vest) and the first gold pour from the Sandstone Project by 30 September 2017 (when the remaining 6,000,000 Options will vest).

The full terms of the Options are set out in Annexure B to this Explanatory Statement.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide an incentive.

The exercise price is 7 cents and assuming that the Options were exercised, Mr Kirk (or his nominees) will need to pay a total of \$525,000 to the Company.

Resolution 7 is required to be approved in accordance with section 208 of the Corporations Act and Listing Rule 10.11 to issue securities to a person who was a Director in the last six months, being a related party of the Company. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

#### **7.2 Chapter 2E of the Corporations Act – related party transactions**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors, persons the Company has reasonable grounds to believe will become Directors, and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 7 provides for the grant of Options to a related party which is a financial benefit requiring Shareholder approval. The financial benefit represented by the grant of the Options arguably falls within the 'reasonable remuneration' exception contained in section 211 of the Corporations Act and therefore may not require approval by Shareholders for the purposes of Chapter 2E of the Corporations Act. Nevertheless, the Board has determined that, in the interests of good governance, it would seek Shareholder approval for these purposes.

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the grant of the Options to Mr Kirk under Resolution 7.

***The related party to whom the proposed Resolution would permit the financial benefit to be given***

Subject to Shareholder approval, the Options the subject of Resolution 7 will be granted to Mr Kirk, or his nominees, within one month of the passing of this Resolution. Mr Kirk was a Director in the last 6 months and is therefore classified as a related party.

***The nature of, reasons for and basis for the financial benefit***

The proposed financial benefit is the grant of 7,500,000 options to Mr Kirk, or his nominees, for no issue price. Each Option will allow Mr Kirk to subscribe for one ordinary fully paid Share in the Company. The Options have an exercise price of 7 cents per share and expire on 18 November 2018.

The Options form part of Mr Kirk's incentive for continuing and future efforts as the Project Manager for the Sandstone Gold Project. The Directors consider that Options are the most cost effective and efficient means to align the interests of the Company's Project Manager for the Sandstone Gold Project with the interests of all Shareholders. The issue of Options to Mr Kirk is subject to Resolution 7 being passed.

Options are considered to be the appropriate incentive given the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Kirk is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the vesting conditions for the Options represent major milestones in the Company's development of the Sandstone Project (being the completion of a pre-feasibility study by 31 December 2016 and the first gold pour from the Sandstone Project by 30 September 2017), the Options represent an incentive to Mr Kirk to achieve these milestones in a timely manner, which may result in an increase in Shareholder value.

The number of Options to be offered to Mr Kirk has been determined by reference to Mr Kirk's executive role as Project Manager for the Sandstone Gold Project, as well as current market practices in the junior exploration sector.

***Directors' recommendation***

All Directors recommend Shareholders vote in favour of Resolution 7 as they believe, based on the information available, including the information contained in this Explanatory Statement, the granting of these Options to Mr Kirk will align his rewards with the long-term creation of value for Shareholders.

***Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers***

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 7,500,000 Options to Mr Kirk, or his nominees.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexure B to this Explanatory Statement and as otherwise mentioned above.
- (c) The Directors, in conjunction with the Company's advisers, have provided an indicative value to the Options by reference to the Black-Scholes valuation method.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Kirk, or his nominees, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

Table 1 - Details of Options

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Linton Kirk	Former Director	1,500,000	\$0.07	18 November 2018	On completion of a pre-feasibility study on the Sandstone Project by 31 December 2016	\$29,400 (i)
Linton Kirk	Former Director	6,000,000	\$0.07	18 November 2018	On the first gold pour from the Sandstone project by 30 September 2017	\$117,600 (i)

## Option Valuation details

Details	Input
Share price	\$0.069
Exercise Price	\$0.07
Risk Free Rate	1.73%
Volatility (Annualised)	50%
Start Date	18 November 2016
Expiry Date	18 November 2018
<b>Value per Option</b>	<b>\$0.0196 (i)</b>

- (e) The Black-Scholes Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant. However, the Directors do not consider the resultant value as determined by the Black-Scholes Option Pricing Model is in anyway representative of the market value of the share options issued. The theoretical fair value of the options will be influenced by the terms and conditions upon which the options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations of buyers and sellers of such instruments, the impact of which are ignored in the Black-Scholes Option Pricing Model.
- (f) As at the date of this Notice, the issued capital of the Company comprised 469,027,033 Shares and 800,000 unlisted Options. If all Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, and assuming no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	469,827,033
Options to be granted	7,500,000
<b>New Total</b>	<b>477,327,033</b>
Dilutionary effect	1.60%

- (g) Mr Kirk's current interests in securities of the Company are set out in the table below:

Former Director	Shareholding	Option holding
Linton Kirk	2,496,245	Nil

- (h) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.

## MIDDLE ISLAND RESOURCES LIMITED

Notice of Annual General Meeting 18 November 2016

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- (i) The Options will not be quoted on ASX and as such have no actual market value. The fully paid ordinary Shares of the Company have been traded on ASX since December 2010. In the 12 months prior to the date of this Notice the Shares have traded in the range of \$0.0058 to \$0.089, the most recent closing price prior to the date of this Notice was \$0.069. The Options are capable of being converted to Shares by payment of the exercise price.
- (j) Mr Kirk is contracted to provide his services as Project Manager through a consulting firm and receives an hourly rate of \$180 per hour for his services, to a maximum of \$20,000 per month.
- (k) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its profit or loss for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company, in granting the Options to Mr Kirk or his nominees pursuant to Resolution 7.
- (l) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this Resolution.

### 7.3 Specific information required by Listing Rule 10.13

Listing Rule 10.13 requires that information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11 as follows:

- (a) The Options will be issued to Mr Kirk (or his nominees).
- (b) The maximum number of Options to be issued to Mr Kirk (or his nominees) is 7,500,000.
- (c) The Options will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The Options will be issued at an exercise price of 7 cents per share and expire on 18 November 2018.
- (e) The Options will be issued on the terms and conditions outlined in Annexure B.
- (f) A voting exclusion statement is included in the Notice of Meeting.
- (g) No funds will be raised from the issue of the Options.

### Resolution 8 – Ratification of Appointment of Auditor

On 4 August 2016, in accordance with s327C of the *Corporations Act 2001*, the Company appointed Greenwich & Co Audit Pty Ltd as auditor following ASIC's consent to the resignation of Simes Cooke in accordance with s329(5) of the *Corporations Act 2001*.

The Company now seeks Shareholder approval for the appointment of Greenwich as auditor of the Company and its controlled entities in accordance with s327B of the *Corporations Act 2001*.

The change of auditor was made following legal restructurings of the previous audit firm.

### OTHER BUSINESS

Management is not aware of any other business to come before the Meeting other than as set forth in the accompanying Notice. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Shares represented thereby in accordance with their best judgement on such matter.



## GLOSSARY

In this Explanatory Statement and the Notice, the following terms have the following meanings unless the context otherwise requires:

"**10% Placement Facility**" has the meaning given in Section 3.1 of the Explanatory Statement;

"**10% Placement Period**" has the meaning given in Section 3.2(f) of the Explanatory Statement;

"**AGM**" means an annual general meeting;

"**Annual Report**" means the Directors' Report, the Financial Report and Auditor's Report, in respect of the financial year ended 30 June 2016;

"**Associate**" has the same meaning as defined in section 11 and section 13 to 17 of the Corporations Act;

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Auditor's Report**" means the auditor's report on the Financial Report;

"**Board**" means the board of Directors;

"**Closely Related Party**" of a member of the Key Management Personnel means:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependent of the member or the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- a company the member controls; or
- a person prescribed by the *Corporations Regulations 2001 (Cth)*;

"**Company**" means Middle Island Resources Limited ABN 70 142 361 608;

"**Convertible Security**" means a security of the Company which is convertible into Shares;

"**Constitution**" means the Company's constitution, as amended from time to time;

"**Corporations Act**" means *Corporations Act 2001 (Cth)*;

"**Director**" means a director of the Company;

"**Director's Report**" means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

"**Equity Securities**" has the same meaning as in the Listing Rules;

"**Explanatory Statement**" means the explanatory statement accompanying this Notice;

"**Financial Report**" means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

"**Greenwich**" means Greenwich & Co Audit Pty Ltd ACN 609 542 458;

"**Key Management Personnel**" has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company;

"**Listing Rules**" means the Listing Rules of the ASX;

"**Meeting**" has the meaning in the introductory paragraph of the Notice;

"**Notice**" means this Notice of AGM;

"**Proxy Form**" means the proxy form attached to this Notice;

"**Remuneration Report**" means the section of the Director's Report contained in the Annual Report entitled 'remuneration report';

**MIDDLE ISLAND RESOURCES LIMITED**

Notice of Annual General Meeting 18 November 2016

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"**Resolution**" means a resolution contained in this Notice;

"**Share**" means a fully paid ordinary share in the capital of the Company;

"**Shareholder**" means the holder of a Share;

"**Trading Day**" means a day determined by ASX to be a trading day in accordance with the Listing Rules; and

"**WST**" means Australian Western Standard Time.

Capitalised terms referred to in this Notice are defined in the Explanatory Statement.

Shareholders are referred to the Explanatory Statement for more information with respect to these matters to be considered at the Meeting.

ANNEXURE A

TERMS AND CONDITIONS  
OPTIONS EXPIRING 18 NOVEMBER 2018

The Options are issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 10 cents ("**Exercise Price**").
3. Each Option entitles the holder to subscribe for one Share in Middle Island Resources Limited ACN 142 361 608 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
4. The Options will lapse at either the date of cessation of the Option holder being an employee of the Company or at 5:00 pm, 18 November 2018 ("**Expiry Date**"), whichever is the earlier.
5. The Options are not transferable.
6. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
7. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before closing date to exercise the Options.
8. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
9. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
10. The Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and cleared funds for the subscription monies for the Shares. The Notice and cleared funds must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
11. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
12. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
13. The Options are issued in accordance with a deferred taxation scheme as defined by the Australian Taxation Office.
14. The Options are granted under an arrangement to which Subdivision 83A-C of the Income Tax Assessment Act 1997 applies.

ANNEXURE B

TERMS AND CONDITIONS  
OPTIONS EXPIRING 18 NOVEMBER 2018

The Options are issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 7 cents ("**Exercise Price**").
3. Options vest on satisfaction of performance conditions, the satisfaction of which shall be determined by the Board at its sole discretion, as follows:
  - a. 1,500,000 upon completion of a pre-feasibility study on the Sandstone Project by 31 December 2016; and
  - b. 6,000,000 upon the first gold pour from the Sandstone Project by 30 September 2017; and
4. Each Option entitles the holder to subscribe for one Share in Middle Island Resources Limited ACN 142 361 608 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
5. The Options will lapse at either the date of cessation of the Option holder being an employee of the Company or at 5:00 pm, 18 November 2018 ("**Expiry Date**"), whichever is the earlier.
6. The Options are not transferable.
7. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
8. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before closing date to exercise the Options.
9. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
10. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
11. The Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and cleared funds for the subscription monies for the Shares. The Notice and cleared funds must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
12. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
13. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
14. The Options are issued in accordance with a deferred taxation scheme as defined by the Australian Taxation Office.
15. The Options are granted under an arrangement to which Subdivision 83A-C of the Income Tax Assessment Act 1997 applies.

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# MIDDLE ISLAND RESOURCES LIMITED

ACN: 142 361 608

REGISTERED OFFICE:  
UNIT 1  
2 RICHARDSON STREET  
WEST PERTH WA 6005

SHARE REGISTRY:  
Security Transfer Australia Pty Ltd  
**All Correspondence to:**  
PO BOX A2020  
South Sydney NSW 1235  
Suite 511, The Trust Building  
155 King Street  
Sydney NSW 2000 AUSTRALIA  
T: +61 3 9628 2200 F: +61 8 9315 2233  
E: registrar@securitytransfer.com.au  
W: www.securitytransfer.com.au

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«EFT\_REFERENCE\_NUMBER»

«Company\_code» «Sequence\_number»

«Holder\_name»  
«Address\_line\_1»  
«Address\_line\_2»  
«Address\_line\_3»  
«Address\_line\_4»  
«Address\_line\_5»

Code: MDI

Holder Number: «HOLDER\_NUM

## PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**VOTE  
ONLINE**

Lodge your proxy vote securely at [www.securitytransfer.com.au](http://www.securitytransfer.com.au)  
1. Log into the Investor Centre using your holding details.  
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE

### SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 4:00pm WST on Friday 18 November 2016 at The Celtic Club, 48 Ord Street, WEST PERTH WA 6005 and at any adjournment of that meeting.

### SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Where I/we have appointed the Chairperson as my/our proxy (or the Chairperson becomes my/our proxy by default), I/we expressly authorise the Chairperson to exercise my/our proxy on resolutions 1, 4, 5, 6 & 7 (except where I/we have indicated different voting intention below) even though resolutions 1, 4, 5, 6 & 7 are connected directly or indirectly with the remuneration of key management personnel, which includes the Chairperson.

RESOLUTION	For	Against	Abstain*
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Beau Nicholls as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of Grant of Options to Mr Richard Yeates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of Grant of Options to Mr Peter Thomas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval of Grant of Options to Mr Beau Nicholls	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of Grant of Options to Mr Linton Kirk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Ratification of Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. \* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company

Director

Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 4:00pm WST on Wednesday 16 November 2016.

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1 1 MDI

MDIPX1181116

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My/Our contact details in case of enquiries are:

Name:

Number:

(  )

### 1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

### 2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

### 3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

### 4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

### 5. SIGNING INSTRUCTIONS

**Individual:** where the holding is in one name, the Shareholder must sign.

**Joint Holding:** where the holding is in more than one name, all of the Shareholders must sign.

**Power of Attorney:** to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

### 6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

#### Security Transfer Australia Pty Ltd

**Online** [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

**Postal Address** PO BOX A2020  
South Sydney NSW 1235

**Street Address** Suite 511, The Trust Building  
155 King Street  
Sydney NSW 2000 AUSTRALIA

**Telephone** +61 3 9628 2200

**Facsimile** +61 8 9315 2233

**Email** [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

### PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

